BEFORE THE STATE BOARD OF EQUALIZATION ASSESSMENT APPEALS COMMISSION

Ap	peal	of:

OLH, LP	1	
Map 062-00-0, Parcel 065-00	,	Davidsor
Various classifications)	County
Tax Years 2004, 2005 and 2006)	

FINAL DECISION AND ORDER

Statement of the case

This is an appeal by the taxpayer from the initial decision and order of the administrative judge who recommended that the value set by the local board of equalization be affirmed as follows:

	<u>Land</u>	Improvement	<u>Total</u>	Assessed
	<u>Value</u>	Value	<u>Appraised Value</u>	Value
Tax Year 2004	\$2,488,100	\$5,116,000	,,	\$2,406,705
Tax Year 2005	\$3,245,400	\$6,098,000		\$2,991,350
Tax Year 2006	\$3,245,400	\$6,098,000		\$2,991,350

The appeal was heard in Nashville on May 23 and 24, 2007 before Commission members Stokes (presiding), Ledbetter and Ishie.¹ OLH, LP was represented by David C. Scruggs, Esq. and Suzanne S. Allen, Tennessee Registered Agent. The assessor was represented by Mr. Kenny Vinson, a staff appraiser. By agreement of the parties appeals for separate years 2004-2006 were consolidated for hearing before the Commission.

Findings of fact and conclusions of law

The subject property is the Gaylord Springs Golf Course located in Nashville. The taxpayer offered the testimony of Mr. Laurence Hirsh, who was stipulated by the parties to be an expert in the area of golf course appraisal. Mr. Hirsh presented an appraisal that included the three traditional approaches to value but he relied primarily on the income approach. Mr. Vinson testified the assessor's mass appraisal was based on the cost approach but his testimony was primarily directed to disputing various aspects of Mr. Hirsch's income approach.² The Commission finds and concludes that the income approach is most relevant to determining the value of the subject golf course.

The subject is currently operated as an "Upscale Resort/Daily Fee Facility." Because this use has never generated positive net income, Mr. Hirsh analyzed other uses and determined that the most net operating income could be generated as an "Affordable Upscale Resort/Daily Fee Facility." He developed a stabilized income and expense statement for this type of use to support

¹ Mr. Ishie sat as a designated alternate for an absent member, pursuant to Tenn. Code Ann. §4-5-302.

² Mr. Vinson insisted the cost approach was useful in allocating values for different components of the golf course in view of the different applicable assessment classifications.

his opinion of overall value. He deducted a value for personal property equal to the values certified by the Davidson County Assessor for personal property in each year. He concluded that the remaining value was the value of the real property. For tax year 2004, his rounded concluded value for the real property was \$2,000,000; for tax year 2005, his rounded concluded value was \$1,700,000.

The Assessor submitted a revised value of \$7,600,843 for all years using the income approach, contending Mr. Hirsch underestimated income and overestimated certain expenses.

The Commission considered the income approaches prepared by Mr. Hirsh and by the assessor and concluded that Mr. Hirsh's approach was better supported by historical and industry data. Accordingly, the Commission finds that the most persuasive evidence of value is the income approach offered by Mr. Hirsh with certain modifications. The Commission finds that the projected gross income should be higher than estimated by Mr. Hirsh in view of the prices per round charged by other courses in the area and in the likelihood that income other than green fees will not be affected as severely as Mr. Hirsh has projected. On this basis the Commission adjusts gross revenue to \$3,846,000. The Commission further finds that stabilized expenses should be adjusted to reflect a management fee of 3% rather than 4% and replacement reserves at 2% rather than 2.5%. The result is net operating income of \$526,000, rounded. Using the taxpayer's loaded cap rate of 11.215%, the Commission finds the equalized fair market value of the real and tangible personal property to be \$4,700,000. The parties have stipulated to a value for the personal property of \$1,000,000 for all three years, leaving value for the real property at \$3,700,000. The stipulated blended assessment ratio for the various parcels was 31.65%, making the revised total assessment \$1,171,050.

ORDER

It is therefore ORDERED, that the initial decision and order of the administrative judge is modified and the equalized assessment of the subject property is determined as follows for tax years 2004, 2005 and 2006:

<u>Land Improvement Total Assessed Value</u> \$1,200,000 \$2,500,000 \$3,700,000 \$1,171,050

This order is subject to:

1. Reconsideration by the Commission, in the Commission's discretion. Reconsideration must be requested in writing, stating specific grounds for relief and the request must be filed with the Executive Secretary of the State Board within fifteen (15) days from the date of this order.

- Review by the State Board of Equalization, in the Board's discretion. This review must be requested in writing, state specific grounds for relief, and be filed with the Executive Secretary of the State Board within thirty (30) days from the date of this order.
- 3. Review by the Chancery Court of Davidson County. A petition must be filed within sixty (60) days from the date of the official assessment certificate which will be issued when this matter has become final.

Requests for stay of effectiveness will not be accepted.

DATED: June 28, 2007

Presiding/Member

Executive Secretary

Mr. David C. Scruggs, Esq. Ms. Jo Ann North, Assessor

Mr. Kenny Vinson